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AMEMBASSY KUALA LUMPUR PRIORITY

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E.O. 12958: DECL: 04/12/2032
TAGS: PARM MTCRE PREL MNUC ETTC MY IR

SUBJECT: (C) IRAN AND SYRIA NONPROLIFERATION ACT --
NOTIFICATION OF SANCTIONS AGAINST TWO MALAYSIAN ENTITIES

REF: A. EMBASSY KL-EAP/MTX-ISN/CB E-MAILS
 1B. 06 KUALA LUMPUR 177004
 1C. 06 KUALA LUMPUR 1648
 1D. 06 STATE 139387

Classified By: ISN/MTR DIRECTOR PAM DURHAM FOR REASONS 1.4 (B),
(D), AND (H).

11. (U) This is an action request. Embassy Kuala
Lumpur please see paragraph 5.

12. (S) Background: The Iran and Syria Nonproliferation Act (ISNA) requires periodic reports to Congress identifying foreign entities with respect to whom there is credible information indicating that they have transferred to or acquired from Iran or Syria items on multilateral lists (Australia Group (AG), Chemical Weapons Convention (CWC), Missile Technology Control Regime (MTCR), Nuclear Suppliers Group (NSG), and the Wassenaar Arrangement (WA)) or other items with the potential to make a material contribution to missile, WMD, or certain other weapons programs. The USG has determined that the Malaysian entities the Challenger Corporation and Target Airfreight have engaged in activities, as noted above, that warrant the imposition of measures pursuant to Section 3 of the ISNA. Specifically, in August 2006, the U.S. informed the GOM of the potential for Iran and Syria Nonproliferation Act sanctions being imposed on the Challenger Corporation due to its acquisition in 2005 of nuclear, chemical and biological defense equipment - specifically atromil autoinjectors and gas masks - from Iran's NAB Exports, which is affiliated with the Iranian Defense Industries Organization (Ref D). Despite repeated requests for information, Malaysian authorities never responded to the U.S. demarche (Ref A-C). In April 2007, the U.S. advised the GOM of December 2004 and January 2005 transfers to Iran of Wassenaar Arrangement-controlled engine components for F-5 fighter aircraft, and explained that sanctions could also result from these transfers. Malaysian authorities assured us that they would look into the issue. (Note: Target Airfreight was sanctioned in December 2006 for a separate transaction involving similarly-controlled items. End note.)

13. (S) Accordingly, pursuant to the provisions of the ISNA, the following penalties are imposed on these entities, their subunits, subsidiaries, and successors:

- a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;
- b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;
- c. No USG sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export

Control Act are terminated; and

d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

These measures, which will take effect shortly, will remain in place for two years. We want to provide advance notice to the Malaysian government of this decision, note that this determination will be published soon in the Federal Register, and make clear that the penalties are only on these two entities and not on the Malaysian government. End Background.

14. (S) Purpose/Objective: To inform the host government of the sanctions determination prior to its publication in the Federal Register.

15. (S) Action request: Post is requested to provide the following suggested talking points to appropriate Malaysian government officials and report response. Talking points also may be provided as a non-paper.

16. (S//Rel Malaysia) Suggested Talking Points:

-- The United States has determined that there is credible information indicating that the Malaysian entities the Challenger Corporation and Target Airfreight transferred to or acquired from Iran since January 1, 1999, or transferred to or acquired from Syria since January 1, 2005, items on a multilateral control list, or other items that have the potential to contribute materially to WMD, missile, or certain other weapons programs in Iran or Syria.

-- Based on these transfers, we have imposed certain measures against these entities as authorized by the Iran and Syria Nonproliferation Act (ISNA).

-- You will recall that the U.S. informed you in August 2006 of the potential for Iran and Syria Nonproliferation Act sanctions being imposed on the Challenger Corporation due to its acquisition in 2005 of nuclear, chemical and biological defense equipment - specifically atromil autoinjectors and gas masks - from the Iranian entity NAB Exports. NAB Exports is affiliated with the Iranian Defense Industries Organization (DIO), which has well-known ties to the Iranian WMD and missile development programs.

-- In April 2007, the U.S. advised your government of December 2004 and January 2005 transfers to Iran of Wassenaar Arrangement-controlled engine components for F-5 fighter aircraft. We also explained that sanctions could result from these transfers.

-- Accordingly, pursuant to the provisions of the ISNA, the following measures are imposed on these entities and their successors, subunits, and subsidiaries:

a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;

b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;

c. No USG sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated: and

d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

-- These measures will take effect shortly and will remain in place for two years.

-- This determination will be published soon in the Federal Register.

(As appropriate/If the issue is raised by the GOM)

-- Target Airfreight was also sanctioned in December 2006 for a separate transaction involving similarly-controlled items. Under the ISNA we are still required to report this separate transaction.

¶7. (U) Please slug any reporting on this issue for ISN/MTR and EAP/MTS. A response is requested as soon as possible. Department point of contact is Matt Hardiman, ISN/MTR, 202-647-3176 (hardimanMX@state.sgov.gov).
RICE

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End Cable Text